



EUROPEAN COMMISSION

CAP WORKING NOTES

A detailed black and white line drawing of a tobacco plant. The plant is shown from a low angle, with its large, deeply lobed leaves extending upwards and outwards. The drawing is highly detailed, showing the veins on the leaves and the texture of the plant's structure. The word 'TOBACCO' is written in a large, stylized, outlined font at the bottom of the plant, with the letters appearing to be part of the plant's structure.

TOBACCO

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INTRODUCTION

This text on tobacco is one of a series produced by the Directorate-General for Agriculture of the European Commission known as "*CAP Working Notes*" which is published towards the end of each year in French, English and German. These documents contain the most recently available information on the current marketing year, particularly the decisions on prices and related measures and the planned budget expenditure for the market organisation of the product in question.

The document is in two parts with a set of annexes. The first part consists mainly of the contribution made by the Directorate-General for Agriculture's Tobacco Unit to the *1996 Report on the Agricultural Situation in the European Union*. The second is taken from the working document "Section III - Commission - Sub-section B1" which accompanies the *Preliminary Draft General Budget of the European Communities for the financial year 1997* which was originally published in May 1996 and has now been updated for inclusion in this text which was completed on 15 October 1996.

THE SITUATION OF THE MARKET

1. World market

In 1995 world production of tobacco amounted to 6.5 million tonnes (Table 1). With 39.3% of world production (with a 14.4% increase over its 1994 harvest), China remains by far the world's biggest producer, followed by the United States, India and Brazil. The European Union, with 5.1% of world production, continues to be in fifth place: in 1995 its production of leaf tobacco totalled 333 200 tonnes, i.e. a slight increase over 1994 (+1.4%), and it maintained its percentage of world production.

Table 1
World production of raw tobacco and production
in principal exporting countries

	%				1 000 t				Change (%)
	1992	1993	1994	1995	1992	1993	1994	1995	<u>1995</u> <u>1994</u>
<i>World</i>	100,0	100,0	100,0	100,0	8293,0	8299,9	6391,9	6508,2	1,8
of which:									
- EUR 12	4,9	4,1	5,1	5,1	407,8	342,0	328,4	332,9	1,4
- EUR 15	4,9	4,1	5,1	5,1	408,1	342,4	328,8	333,2	1,3
- Turkey	4,0	4,1	2,9	3,3	331,8	338,1	187,7	218,0	16,1
- USSR/CIS	1,7	2,5	3,0	0,0	143,7	210,9	190,6	:	x
- Bulgaria	0,9	0,6	0,5	0,4	71,9	49,7	34,9	26,6	-23,8
- Zimbabwe	2,5	2,8	2,8	3,2	211,4	235,3	177,8	209,0	17,5
- Malawi	1,7	1,6	1,5	2,0	137,9	133,6	98,1	130,7	33,2
- India	7,0	7,0	8,3	8,1	584,4	580,6	528,0	524,5	-0,7
- Rep. of South Korea	1,0	1,3	1,5	1,3	79,6	106,5	98,6	83,9	-14,9
- USA	9,4	8,8	11,2	8,8	780,9	731,9	718,0	575,4	-19,9
- Canada	0,9	1,0	1,1	1,2	71,8	86,1	71,5	79,3	10,9
- Mexico	0,4	0,9	1,1	0,7	29,8	71,4	68,2	45,4	-33,4
- Indonesia	1,8	1,8	2,5	2,6	145,4	152,8	160,0	171,4	7,1
- Philippines	1,4	1,2	0,9	1,0	114,9	102,5	56,0	63,7	13,8
- Brazil	7,0	7,3	6,9	6,1	577,0	608,0	442,0	398,0	-10,0
- Argentina	1,3	1,4	1,3	1,2	108,6	112,3	82,0	79,0	-3,7
- Peop. Rep. China	42,2	41,6	35,0	39,3	3499,0	3451,0	2238,0	2560,0	14,4

Sources: European Commission, Directorate-General for Agriculture, and USDA.

Prices rose on the markets of Malawi and Zimbabwe, considered to be indicative of world price trends (particularly for flue-cured and light air-cured varieties). Prices on the European market also increased, particularly for oriental varieties.

Growth in world leaf tobacco consumption was slower (+0.5%) between 1994 and 1995.

2. Community market

Cigarette and cigar production in the European Union in 1995 was slightly up (1%) on 1994.

Community tobacco exports to the rest of the world amounted to 283 900 tonnes in 1995 (209 400 tonnes in 1994), the main exports being of the oriental varieties, sought after for their aromatic qualities, and flue-cured varieties. Despite this increase in export levels, demand for oriental tobaccos and the dark air-cured varieties is falling. By contrast, there is a sharp rise in demand for flue-cured varieties (see Annexes 2 and 3). The European industry used about 685 000 tonnes of baled tobacco, of which 493 700 tonnes (72.1%) were imported (Table 2).

Table 2
EU share of world trade¹ in raw tobacco

	Provenance or destination %	1000 t				Change (%)
		1992	1993	1994	1995	<u>1995</u> 1994
Imports	World	1814,9	1765,2	1769,9	1754,2	-0,9
	EUR 12	527,1	416,9	490,1	479,5	-2,2
	%	29,0	23,6	27,7	27,3	x
	EUR 15	557,0	442,8	520,2	493,7	-5,1
	%	30,7	25,1	29,4	28,1	x
Exports	World	1741,2	1777,0	1758,4	1698,7	-3,4
	EUR 12	199,5	209,7	208,4	280,4	34,5
	%	11,5	11,8	11,9	16,5	x
	EUR 15	200,5	210,7	209,4	283,9	35,6
	%	11,5	11,9	11,9	16,7	x

Sources: Eurostat and "Tobacco: World Markets & Trade" (USDA publication).

¹ Excl. intra-UE trade.

Community production has fallen (see Annex 4) as a result of the application of the reform of the common organization of the market in raw tobacco. This reform establishes a quota scheme by Member State and group of varieties (there are now eight groups of varieties, instead of the 34 groups under the old system), and puts an end to intervention and export refunds. The total quota was set at 350 600 tonnes for the 1995 harvest and Community production fell short by 5%.

The Commission has continued to implement the 1992 reform, preparing accompanying measures (production quota scheme for producers, direct payment of the premium to producers, carryover of 10% of production to the following harvest and transfer of quotas from one group of varieties to another). Under the latest invitation to tender it sold the final quantities of baled tobacco held by the intervention agencies for export.

The Commission has prepared a report and will present its proposals to the Council for the arrangements to apply from the 1998 harvest.

COMMON ORGANIZATION OF THE MARKET

The Community raw tobacco varieties covered by the market organization fall into the following groups:

- flue cured,
- light air cured,
- dark air cured,
- fire cured,
- sun cured,
- Basmas,
- Katerini,
- Kaba Koulak classic and similar varieties.

The market organization for raw tobacco, introduced on 29 April 1970, was given radical reform in 1992 by Council Regulation (EEC) No 2075/92. This new basic Regulation was last amended by Regulation (EC) No 415/96.

The market organization comprises trading arrangements with other countries, a premium system and measures to orient and curb production. Tobacco is sometimes marketed a number of years after it has been cropped. For this reason reference is made to tobacco harvests and not to marketing years.

1. Import and export arrangements

As there are no quantitative restrictions on imports into the Union, the Common Customs Tariff can provide only limited protection. Under the new arrangements no export refunds are granted and scheduled expenditure for Article 1-170 is therefore nil in both 1996 and 1997 (see Table 3).¹

2. Premiums

Since the 1993 harvest, premiums have been granted to help raise growers' incomes and at the same time gear production to market requirements and permit disposal of the tobacco grown in the Union.

The premium is set each year by the Council, as an amount per kilogram of raw leaf tobacco, for each group. There is a supplement for flue cured, light air cured and dark air cured tobacco grown in Belgium, Germany and France.

¹ For a detailed description of the Marrakesh Agreement see the *CAP Working Notes* special issue "GATT and European agriculture".

To concentrate supply and adapt it to qualitative market requirements a special aid of 10% of the premium is granted where a cultivation contract is concluded between the first processor and a recognized producer group provided that it covers all the group's production.

Table 3
Appropriations authorized in 1996
and appropriation requirements for 1997

*(in ECU)*¹

Article Item	Heading	Appropriations authorized 1996	Appropriation requirements 1997	Change (%)
1-170	Refunds on tobacco	pm	pm	
1-171	Tobacco premiums	1 040 000 000	1 032 000 000	- 0.8
1-172	Intervention storage of tobacco	pm	pm	-
1-1720	Technical costs of public storage	pm	pm	-
1-1721	Financial costs of public storage	pm	pm	-
1-1722	Other public storage costs	pm	pm	-
1-1723	Stock depreciation	pm	pm	-
1-173	Conversion premium	42 000 000	14 000 000	-66.7
1-175	Community fund for research and information	9 000 000	5 000 000	-44.4
1-179	Other	pm	pm	
	TOTAL	1 091 000 000	1 051 000 000	- 3.7

¹ See Annex 1 for conversion rates to national currencies. The appropriation requirements are contained in Letter of Amendment No 1 to the Preliminary Draft Budget for 1997. However, the Community authorities appear to be moving towards a reduction of about 2-3 % for each budget item and this position is reflected in the same Letter of Amendment.

The premium is paid directly to the grower. Member States may however choose to pay it via the first processor. A condition of eligibility for the premium is that the grower or his producer group has signed a European cultivation contract.

To curb production a maximum guarantee threshold for the whole Union is set at 350 600 tonnes. This volume is broken down by variety and Member State. Whereas with maximum guaranteed quantities an overrun meant a proportionate reduction of the premium for the variety in question an overrun of the guarantee threshold means non-eligibility for the premium of the quantities produced beyond it.

The premiums and guarantee thresholds for 1996 and 1997 are given in Table 4. Supplementary amounts for varieties of groups I, II and III grown in France, Belgium and Germany are also granted. Guarantee thresholds are the same for both harvests, which explains the close correspondence of expenditure under Article 1-171 scheduled for both years.

Table 4
Premiums and quotas for 1995 and 1996 harvests
(financial years 1996 and 1997)

Group	Quota (tonnes) 1995	Quota ¹ (tonnes) 1996	Premium (ECU/tonne)
Flue cured (I)	124 660	125 230	2 709.65
Light air cured (II)	74 840	74 340	2 167.48
Dark air cured (III)	46 570	47 000	2 167.48
Fire cured (IV)	6 930	6 930	2 383.62
Sun cured (V)	29 700	29 200	2 167.48
Basmas (VI)	26 100	26 100	3 754.15
Katerini (VII)	22 250	22 250	3 185.41
Kaba Koulak (VIII)	19 550	19 550	2 276.15
Total EUR 15	350 600	350 600	

¹ Council Regulation (EC) No 415/96. For the breakdown of guarantee thresholds by groups of varieties and by Member state and for the supplementary amounts, see Annex 5.

3. Intervention storage

The new rules make no provision for this. Old stocks have been run down and no expenditure is anticipated in 1997 or items 1-1720, I-1721, I-1722 and 1-1723.

4. Conversion premium

A three-year programme for conversion of plantations of Mavra, Tsebelia, Forchheimer Havana IIc and Geudertheimer hybrids to other varieties more in line with market requirements or to other agricultural crops commenced with the 1993 crop. Given the volume of payments already made the assessment of appropriation needs for Article 1-73 works out at ECU 14 million for 1997 against ECU 42 million for 1996.

5. Community research and information fund

This is financed by a deduction, at present 1%, from premiums granted. It promotes orientation of production to the least harmful varieties and public information on the harmful effects of tobacco use. Appropriation requirements for Article 1-175 are set out in the financial statement (see Annex 6).

ANNEX 1

Monetary assumptions made when drawing up the 1997 preliminary draft budget

1 ECU = ... national currency

Member State	Agricultural conversion rate	Assumed market rate ¹	Average dual rate coefficient ²	
B/L	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	40,8337	38,8905	1,050
	Other	39,5239		1,016
DK	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	7,74166	7,31008	1,059
	Other	7,49997		1,026
D	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	1,94962	1,89272	1,030
	Other	1,90616		1,007
EL	All products	311,761	309,136	1,008
E	All products	165,198	159,037	1,039
F	All products	6,61023	6,48239	1,020
IRL	All products	0,829498	0,816196	1,016
I	Beef premiums	2 164,34	2 003,05	1,081
	Other	2 096,38		1,047
NL	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	2,19672	2,11827	1,037
	Other	2,14021		1,010
A	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	13,7190	13,3110	1,031
	Other	13,4084		1,007
P	All products	198,202	195,465	1,014
FIN	All products	5,88000	5,89704	0,997
S	Direct aid for arable crops, beef and sheepmeat premiums and accompanying measures	9,24240	8,49346	1,088
	Other	8,93762		1,052
UK	All products	0,856563	0,841589	1,018

¹ Assumed market rates for the financial year equal to market rates on 25 March 1996.

² The average dual rate coefficient is obtained by dividing the agricultural conversion rate by the market rate. For further explanations on monetary questions, see the special edition of *CAP Working Notes* entitled *The Agrimonetary System in the Single Market*.

ANNEX 2

EU tobacco exports to third countries

Destination	Tonnes				% of total 1995	Change (%)
	1992 ¹	1993 ¹	1994 ¹	1995 ²		<u>1995</u> 1994
	USA	44320	33530	27577	23222	8,2
Russia	7424	32832	9581	19289	6,8	101,3
Egypt	23422	15632	40539	14037	4,9	-65,4
Algeria	12924	15553	14685	17794	6,3	21,2
Romania	1377	14370	7066	3690	1,3	-47,8
Switzerland	9688	9281	11914	12749	4,5	7,0
Japan	11640	9082	8748	10061	3,5	15,0
Poland	7145	7439	10087	13740	4,8	36,2
Bulgaria	8641	5520	1594	5607	2,0	251,8
Cuba	7691	5458	4480	5257	1,9	17,3
Hungary	2771	4786	3165	80775	28,4	2452,1
Czech Republic	0	3933	4596	6164	2,2	34,1
Mexico	2915	3866	4058	1221	0,4	-69,9
Territory of the former Yugoslav Republic of Macedonia	0	3246	3522	4888	1,7	38,8
Tunisia	3373	2778	1577	1371	0,5	-13,1
Others	56446	42432	55222	64062	22,6	16,0
World	199777	209738	208411	283927	100,0	36,2

Source : Eurostat

¹ EUR 12.

² EUR 15 (3 months without Austria).

ANNEX 3

Imports and exports of raw tobacco

EUR 15

(1000 t)

	1993 ¹		1994 ¹		1995	
	Intra	Extra	Intra	Extra	Intra ²	Extra ³
A. Imports						
Flue cured Virginia	37,5	192,7	23,9	215,0	34,2	214,8
Light air cured Burley	10,2	54,9	9,4	65,3	15,7	67,2
Light air cured Maryland	0,0	1,5	0,0	1,4	0,3	1,2
Fire cured Kentucky	1,6	8,6	1,7	9,3	3,4	7,1
Other fire cured	0,6	8,2	0,4	9,7	1,2	11,2
Light air cured (other)	3,1	5,0	5,0	11,9	3,3	12,7
Sun cured	32,1	27,0	16,5	29,7	25,5	37,0
Dark air cured	5,3	35,9	1,2	36,1	3,8	32,3
Flue cured (other)	3,9	19,6	9,4	28,9	7,9	24,9
Other tobacco	8,4	5,3	6,9	12,9	10,1	9,1
Tobacco refuse	22,1	58,2	26,4	69,9	33,0	76,1
Total	124,8	416,9	100,8	490,1	138,4	493,6
B. Exports						
Flue cured Virginia	22,4	17,2	13,8	46,5	68,8	126,9
Light air cured Burley	14,0	24,3	17,5	29,7	24,6	17,7
Light air cured Maryland	0,2	1,3	0,0	0,4	0,0	0,4
Fire cured Kentucky	1,3	2,9	2,5	3,9	2,5	2,5
Other fire cured	0,5	1,7	0,9	0,9	0,5	1,0
Light air cured (other)	0,5	0,0	0,0	1,4	0,4	2,0
Sun cured	26,3	88,8	0,7	63,9	27,8	66,3
Dark air cured	5,5	30,0	4,3	18,3	3,3	23,2
Flue cured (other)	8,9	20,8	9,2	17,9	13,9	18,3
Other tobacco	4,3	10,8	5,4	11,5	6,9	17,2
Tobacco refuse	29,0	11,9	34,8	14,0	65,4	8,4
Total	112,9	209,7	89,1	208,4	214,1	283,9

Source : Eurostat.

¹ EUR 12.

² EUR 14 (Austria: no data available).

³ 3 months without Austria.

ANNEX 4

Area, yield and production of leaf tobacco, by group of varieties

	Area				Yield				Production								
	ha				100 kg/ha				t								
	1992	1993	1994	1995	Change (%) 1995/1994	1992	1993	1994	1995	Change (%) 1995/1994	1992	1993	1994	1995	Change (%) 1995/1994		
I. Flue cured	EUR 15	BR Deutschland	51847	50952	46137	-7.9	23.0	23.9	23.7	26.4	11.7	167040	124129	118521	122024	3.0	
		Ellada	1041	1094	1231	-10.3	18.0	17.1	14.6	6.3	12.8	1860	1777	2041	2066	1.2	
		Espana	28996	12362	11097	10989	6.0	34.8	30.3	29.2	29.3	17.9	37166	27166	28944	28869	0.3
		Francia	3460	3160	3165	3165	-1.1	23.0	23.0	23.0	23.0	0.0	30138	30138	30138	30138	0.0
		Italia	23561	19984	20325	18845	-9.7	18.3	20.1	21.5	23.5	16.4	6603	7831	8273	8413	1.1
		Österreich	1899	2087	2247	1	x	22.7	23.5	23.5	30.0	x	5317	47191	45691	48900	5.1
		Portugal	74528	51847	50092	46156	-7.9	18.0	8.2	17.5	23.9	36.6	3597	1718	1028	3	0.6
		EUR 15	29820	26462	24584	23322	-4.3	26.9	27.0	28.5	30.1	5.7	80178	71479	70000	70804	1.1
		Belgique/België	1717	1547	1427	1161	-18.6	25.0	20.4	20.4	18.7	-11.1	4290	3158	3040	2176	-8.4
		BR Deutschland	3213	3664	3710	3701	-0.2	31.5	31.5	31.5	31.7	0.5	13127	11700	11700	11732	0.3
Espana	2906	1930	835	1036	24.1	23.0	24.3	23.7	23.7	-14.7	6681	4689	2320	2454	5.8		
Francia	2560	2619	2304	2319	-7.4	20.0	23.4	26.5	29.0	9.2	3113	29.0	6642	6719	1.2		
Italia	16936	16175	15549	14863	-4.4	29.5	27.7	28.9	31.3	8.1	49890	44775	44968	46486	3.4		
Österreich	196	195	190	146	-23.2	16.3	20.2	19.1	17.9	-6.1	319	363	363	262	-27.8		
Portugal	292	332	342	271	-20.8	26.0	33.2	24.4	33.2	28.3	758	809	884	899	1.7		
EUR 12	29624	26267	24394	23376	-4.2	27.0	27.1	28.5	30.2	5.7	79859	71086	69637	70442	1.3		
III. Dark air cured	EUR 15	Belgique/België	21237	21170	20896	-1.3	23.0	21.4	20.7	21.1	1.6	5481	4324	4386	44003	0.3	
		BR Deutschland	417	400	386	339	-12.2	33.8	37.6	31.2	30.4	-2.6	1409	1206	1206	1032	-14.4
		Espana	1172	1205	1245	1164	-6.5	27.0	26.6	23.0	23.7	3.2	3160	3206	2862	2762	-3.5
		Francia	3070	3232	3899	4371	11.1	23.3	24.3	27.7	28.0	42.1	7136	8466	10800	10640	0.8
		Italia	3523	3424	4252	4007	-5.8	22.4	26.5	28.4	30.4	7.0	12667	11980	12170	12170	0.0
		EUR 12	23282	21170	20896	1953	-11.3	23.0	21.4	20.7	21.1	1.6	29401	20899	19844	17399	-2.7
		EUR 15	3463	3435	3117	2875	-7.8	18.8	19.5	19.7	21.4	18.7	6513	6513	6148	6733	9.5
		Espana	6	11	12	12	0.0	18.3	19.1	21.7	23.3	7.7	x	21	26	x	7.7
		Francia	3456	3424	3105	2863	-7.8	18.8	19.5	19.7	21.4	18.8	6502	6669	6122	6705	9.5
		Italia	3463	3435	3117	2875	-7.8	18.8	19.5	19.7	21.4	18.7	6513	6500	6148	6733	9.5
V. Sun cured	EUR 15	Ellada	27382	17239	15133	13860	-8.4	15.1	18.6	18.1	19.7	8.9	41263	32042	27335	27865	-0.3
		Italia	19255	9104	7438	7241	-2.6	15.2	20.1	20.3	21.3	4.8	29305	18740	15104	14111	2.0
		EUR 12	27382	17239	15133	13860	-8.4	15.1	18.6	18.1	19.7	8.9	41263	32042	27335	27865	-0.3
		EUR 15	49047	47169	43039	42368	-6.2	12.2	13.3	14.0	14.8	5.6	59628	62363	62896	62358	-0.9
VI, VII, VIII. Special Sun cured	EUR 12	Ellada	49047	47169	43039	42368	-6.2	12.2	13.3	14.0	14.8	5.6	59628	62363	62896	62358	-0.9
		EUR 12	49047	47169	43039	42368	-6.2	12.2	13.3	14.0	14.8	5.6	59628	62363	62896	62358	-0.9
Raw tobacco	EUR 15	Belgique/België	167409	159135	149578	-6.0	19.9	20.5	20.7	22.3	7.8	408103	342427	328786	333187	1.3	
		BR Deutschland	417	400	386	344	-11.9	33.8	37.6	31.2	30.4	-2.5	1409	1206	1206	1108	-14.0
		Espana	3801	3793	4066	3576	-12.1	35.9	31.5	19.5	19.5	79.3	9090	8141	7943	7004	-11.8
		Francia	102311	72499	67284	61645	-5.4	18.9	18.0	17.7	17.7	173586	130754	119344	120123	0.7	
		Italia	19782	17603	15959	16808	2.2	22.2	23.1	26.4	25.8	-6.1	44006	40743	42090	42091	0.0
		Österreich	65105	59403	58062	57003	-7.5	20.7	23.5	27.6	27.6	7.9	24282	26056	26989	27001	1.2
		Portugal	196	195	190	146	-23.2	16.3	20.2	19.1	17.9	-6.1	319	393	363	262	-27.8
		EUR 12	21591	2419	2389	1925	-25.6	19.9	18.6	18.6	19.9	35.6	4355	2527	2527	4850	0.8
		EUR 12	203226	167214	158945	149411	-6.0	19.9	20.5	20.7	22.3	7.8	407784	342034	328423	332923	1.4

NB. Classification of tobacco varieties as set out in the Annex to Regulation (EEC) No 2075/92, 30.6.1992
Source: European Commission, Directorate-General for Agriculture

ANNEX 5

Guarantee thresholds for 1996

	I Flue cured	II Light air cured	III Dark air cured	IV Fire cured	V Sun cured	Other			Total (tonnes)
						VI Basmas	VII Katerini	VIII K.Koulak	
Italy	48 000	46 500	17 400	6 900	14 000				132 800
Greece	30 700	12 400			15 700	26 100	22 250	19 550	126 700
Spain	29 000	2 470	10 800	30					42 300
Portugal	5 500	1 200							6 700
France	8 430	7 000	12 170						27 600
Germany	3 000	4 500	4 500						12 000
Belgium		200	1 700						1 900
Autria	30	570							600
	124 660	74 840	46 570	6 930	29 700	26 100	22 250	19 550	350 600

Supplementary amounts

Variety	ECU/kg
Badischer Geudertheimer, Pereg, Korso	0,4238
Badischer Burley E and hybrids thereof	0,6786
Virgin D and hybrids thereof, Virginia and hybrids thereof	0,3876
Paraguay and hybrids thereof, Dragon vert and hybrids thereof, Philippin, Petit Grammont (Flobecq), Semois, Appelterre	0,3163
Nijkerk	0,1847
Misionero and hybrids thereof, Rio Grande and hybrids thereof	0,2016

ANNEX 6

Article B1-175: Community tobacco research and information fund

(million ECU)

Appropriations authorized 1996		Appropriations requested 1997		Change (%)	
Commitments	Payments	Commitments	Payments	Commitments	Payments
9	9	5	5	-45	-45

1. TITLE OF ACTION

Community tobacco research and information fund

2. BUDGET HEADING

B1-175

3. LEGAL BASIS

Council Regulation (EEC) No 2075/92 of 1 June 1992 (Article 13)
Commission Regulation (EEC) No 2427/93 of 1 September 1993

4. DESCRIPTION

4.1 General objective

- Prevention of excessive tobacco use
- Orientation of tobacco production towards the least harmful varieties and qualities

4.2 Duration

Indeterminate

5. CLASSIFICATION OF EXPENDITURE

5.1 Compulsory expenditure

5.2 Non-differentiated appropriation

6. TYPE OF EXPENDITURE

Subsidization of projects to up to 75% of total cost.

Payments from the Fund will be made on the basis of the contract signed. They will be in instalments and linked to the progress of the work and require production of invoices and supporting documents.

The Fund is financed by deduction from premiums actually paid of 0.5% for the 1993 harvest and 1% for subsequent harvests.

Breakdown: 50% of the budget allocated to research projects and 50% to health projects.

From 1997 only expenditure actually scheduled will be shown in the budget and not total premium deductions.

7. FINANCIAL IMPLICATIONS

The first call for proposals was published on 1 July 1994 (OJ C 179, p. 8). Project selection is completed and the first contracts are about to be signed. The first payments will probably be made in March or April.

Timetable for total Community contribution to projects already approved

(ECU)

	1996	1997	1998	1999	2000	Total
Research	1 696 750	1 751 328	1 260 991	933 053	270 690	5 912 812
Health	1 939 792	1 213 186	840 784	810 452	739 998	5 544 212
Total	3 636 542	2 964 514	2 101 775	1 743 505	1 010 688	11 492 313

1996 budget: ECU 9 million (total 1% premium deduction)

1997 budget: ECU 5 million

This amount, some ECU 2 million more than required for the projects already approved, allows for conclusion of further contracts.

8. ANTI-FRAUD ACTION

Article 6 of Regulation No 2427/93: The Commission will monitor and assess the results obtained during execution of the projects approved and EAGGF officials will make checks on the spot. The Commission will keep the Management Committee for Tobacco informed of contracts concluded and the progress of the work.

9. COST-EFFECTIVENESS ANALYSIS

9.1 Specific objectives

The Fund finances research and information programmes in the following areas:

- improving public, and in particular young people's, knowledge of the harmful effects of using tobacco in any form and of the options for preventing these through health information and education;
- orientation of production to the least harmful varieties, qualities and products through suitable cultivation and drying methods, practices restricting the use of plant health products and introduction of new varieties.

Projects must

(a) as regards research

- be of particular innovational interest
- be geared to practical application
- priority is given to projects likely to have a rapid impact on production and to those allowing rapid dissemination to producers of the information or results obtained.

(b) as regards information

- provide producers and/or consumers with objective information effectively
- be original and practical and produce effects in the short term.

Target population:

(a) research:

- final: tobacco growers, consumers
- intermediate: agricultural research centres

(b) health:

- final: population sectors most at risk of becoming consumers (young people, women, etc.)
- intermediate: anti-cancer organizations, hospitals, etc.

9.2 Justification for action

Research projects involving collaboration between several Member States are impossible without Community financing.

Health promotion in the Community:

- orientation of production to the least harmful varieties and qualities
- provision of information to the public, notably young people.

9.3 Monitoring and evaluation

The Commission will monitor and evaluate the results obtained in the course of execution of approved projects, being assisted in this task by a scientific and technical committee of higher level health and agricultural research experts.

An annual evaluation will be made on the basis of an annual report sent by the coordinators of each project. This will be

- scientific: officials of DG VI's agricultural research unit will examine the quality of the scientific results obtained by the participants in the project during the year in question. The scientific and technical committee of sector professionals will in its turn assess the quality of the results obtained.
- financial: Commission officials will check that the expenditure submitted by the coordinators properly corresponds to the contracts signed and the work carried out.

Commission officials will visit contractors once or twice a year to check on the spot that progress is satisfactory.

The first contracts having been signed in March 1996, the first annual reports will be sent at the end of 1996.

European Commission

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